

Caribbean E-Outlook is a publication of the U.S. Small Business Administration Puerto Rico and U.S. Virgin Islands District Office

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SBA Breaks All-Time Loan Record *Agency Has Already Surpassed 2003 Loan Numbers*

U.S. Small Business Administration Administrator Hector V. Barreto announced earlier this month that the SBA has already backed more loans in its 7(a) and 504 programs than ever before in its 51-year history.

As of August 6 – eight weeks before the end of fiscal year 2004 – the SBA's 7(a) loan program had guaranteed 67,493 loans in fiscal year 2004, more than the record 67,306 7(a) loans made in all of fiscal year 2003. In addition, the agency has backed 6,974 loans through its 504 program, surpassing the 2003 record of 6,863. The 2004 fiscal year ends on September 30. When compared to the same time period last year, these record-breaking numbers represent dramatic increases: 23 percent for 7(a) and 27 percent for 504.



SBA Administrator Hector V. Barreto discusses impact of changes in SBA loan guaranty programs, during Lenders Roundtable held in San Juan, Puerto Rico last month.

"In 2003, the SBA set all-time records in its two major loan programs. It took us less than a year to break those records," Barreto said. "I am proud that our loan programs, and especially our flagship 7(a), are growing and reaching out to more small businesses than ever before. I am hopeful that we can continue this trend, particularly if the President's proposal to make 7(a) self-sustaining is approved by Congress.

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Dream a Little Dream

Fixtures and Tile Retailer Grows with SBA-backed Loan

Luis Morales dreamed of becoming his own boss, of becoming an entrepreneur. And so, what better name than *Sueños* (Spanish for dreams) to make it a reality?

A native of Aguadilla, Puerto Rico, Luis is the youngest of eight children in a family engaged in the harvesting of sugar cane. And, while growing up he became well acquainted with agriculture, Luis felt there was no future in it for him.

“My father still grows coffee and plaintain on a small piece of land he owns --Luis comments-- but in order to really succeed in agriculture you need wide, open areas; you need flat land and adequate machinery. It really wasn’t for me.”

From early on, Luis’ mind was set on sales and marketing, and once in high school he enrolled in a marketing program offered at the Manuel Méndez Liciaga Vocational School he attended in San Sebastián. As a senior, he found work at a nearby supermarket, first bagging groceries and finally promoted to department head.

Still intent on joining the field of business, Luis enrolled at the Inter American University of Puerto Rico, where he obtained two bachelor’s degrees, one in business administration and another in —what else?—marketing. Upon graduating, he began a successful business career, dedicating many years to such companies as Coca-Cola, Bacardi and Intermars Group.

In 1993, however, Luis knew it was time to go out on his own.

“I always wanted my own business,” Luis states. “I would dream about it. I couldn’t get the idea out of my mind, and one day I just did it.”

With the support of his wife María del Carmen, and backed by a personal \$30,000 loan, Luis established *Sueños*, a store in San Sebastián engaged in the retail sale of bathroom fixtures and tiles.

During the first few years, as with any new business, things were --if not to say difficult-- not as easy as he would have hoped. The store operated from a 1,200 square foot rented facility with Luis and his wife as sole employees. Due to limited space, their inventory was also limited. However, *Sueños* closed the books its first year with a little under \$100,000 in revenues and, soon after, the increase in construction and real estate development helped pump up sales.

“We grew bit by bit,” Luis says. “At first we were mostly focused on bathroom equipment, such as sinks, toilets, cabinets, and mirrors. Although we always had tiles in stock and display, it wasn’t our biggest selling item at the time. But then the demand for them started to grow.”

Shortly thereafter, a part-time employee came on board and *Sueños* began adding names to its list of suppliers. Fast forward six years, and Luis realized that *Sueños* needed facilities big enough to accommodate both a larger inventory and an adequate showroom. Rental was no longer an option. In order to purchase new property, make improvements and gain working capital, Luis approached Banco Santander Puerto Rico and,

in May 2001, obtained a \$300,000 loan under SBA’s 7(a) Loan Guaranty Program.

The SBA’s primary loan program, 7(a) is also the most flexible, since the Agency can guarantee as much as 85 percent and up to \$2 million of financing for a variety of general business purposes, such as working capital, expansion or renovation of facilities, the purchase of machinery and equipment, and the purchase of land, among others.

“Developing a business is not easy,” Luis admits. “The most difficult aspect was the beginning. I started from zero and grew slowly. Obtaining financing, however, was not too difficult. You need a solid business plan but, most of all, you need to prove your heartfelt interest and commitment to the bank.”

Sueños began to grow, not only in square footage, but in sales as well. At the close of business that year, the store sold a little over \$380,000. By the next year it had gone slightly over \$405,000. And, in 2003, *Sueños* closed its books with almost \$900,000 in sales. Now with seven employees, Luis is adding Spanish tile manufacturers to its list of suppliers and hopes to, someday soon, open a second location.

“The SBA gave me a hand when I needed it and I am very grateful for that. They put faith in me, and I am seeing the results. My biggest satisfaction is having made my dream come true.”

They say life is but a dream...

Continued from cover...

“Breaking records like this is about more than making history,” Barreto added. “This is good news for America’s small business owners. It means that we are making a real difference in the lives of more and more entrepreneurs, and that they are going on to make a real difference in our economy. Over the last 11 months, American farms and businesses have created 1.5 million new jobs. We know that when the economy is growing and jobs are being created, small businesses are always in the lead. They are the engine of our economy, and I am proud to be able to work with President Bush to help create an environment in which they are succeeding.”

Not only has the SBA broken overall lending records, but it has also already exceeded 2003 numbers for some of the fastest growing segments of the small business community. When comparing with the same time period last year, the increases are even more dramatic. Loan guarantees to African Americans, Hispanics, and Asian Americans are 30 percent ahead of their totals at the same date last year. Loans to women are up by 25 percent, and rural loans are 11 percent ahead.

With regard to Puerto Rico and the U.S. Virgin Islands (PR & U.S. VI), District Director Carmen A. Culpeper indicated that as of July 31st, the SBA has approved a total of 944 loans for \$114.4 million, which represents a 43.7 percent increase in loan production and a 39.8 percent increase in dollar value over the same period last fiscal year. Moreover, in PR & USVI the SBA has already approved, in 10 months of 2004, 2.2 percent more loans over fiscal year end 2003.

SBA Agreement with American and African Business Women’s Alliance Will Promote Small Business Trade with Africa

The U.S. Small Business Administration and the American and African Business Women’s Alliance (AABWA) have signed a cooperative agreement to promote programs that will help small businesses nationally, and internationally, and to jointly participate in international trade opportunities, particularly on the African continent.

The Strategic Alliance Memorandum was signed by SBA Deputy Administrator Melanie R. Sabelhaus and Dr. Gloria B. Herndon, co-chair of the AABWA, at a meeting held recently in Washington, D.C.

“This agreement further strengthens the traditionally strong ties between our organizations,” said SBA Deputy Administrator Melanie R. Sabelhaus. “AABWA has always sought to empower business women by fostering opportunities and access to markets through networks, mentoring and leadership development, and the SBA is its strong advocate.”

The Strategic Alliance Memorandum is a joint effort of SBA and AABWA to collaborate on joint initiatives that will benefit their respective small businesses and membership. Both organizations strive to develop small businesses and international trade, strategic business alliances and encourage mentor relationships between U.S. small businesses and the membership of the AABWA.

The two organizations have effectively agreed to share information on women’s business ownership network, training, procurement and online programs - as well as international trade programs, export assistance, general resource and other outreach materials. All activities are subject to the availability of funding.

The implementation of the agreement began upon signing and the activities undertaken under its provisions will continue for two years, at which time they may be extended for a similar period.

UPCOMING EVENTS

MED Week Conference

Date: September 1
Time: 3:00 PM -6:00 PM
Place: Bianca Convention Center
Añasco, PR
Call: MBDC (787) 753-8484

MED Week Conference

Date: September 3
Time: 8:30 AM -12:00 AM
Place: Caribe Hilton Hotel
San Juan, PR
Call: MBDC (787) 753-8484

8(a) Pre-certification Workshop

Date: September 29
Time: 9:00 – 11:30 AM
Place: SBA District Office
Call: (787) 766-5572

LOAN PRODUCTION IN PR & USVI (AS OF 7/31/04 - 7/31/03)

Lender / CDC	# of Loans 2004	\$\$\$ Value	# of Loans 2003	\$\$\$ Value
Banco Bilbao Vizcaya Argentaria	226	\$15,151,620	35	\$3,721,900
Banco Popular de Puerto Rico ♦	458	\$52,953,496	459	\$43,823,200
Banco Santander Puerto Rico	166	\$19,862,400	106	\$15,047,900
Business Loan Center	2	\$1,417,000	2	\$1,206,000
Cooperativa Ahorro y Crédito Aguada	3	\$1,145,000	1	\$210,000
Doral Bank	19	\$1,515,400	2	\$215,000
Economic Development Bank for PR	0	0	1	\$322,000
Eurobank	1	\$310,000	1	\$342,760
Firstbank♦	2	\$300,000	3	\$365,000
Government Development Bank of VI	2	\$90,000	1	\$50,000
Grow America Fund, Inc.	4	\$430,000	5	\$395,000
Independence Bank	1	\$150,000	0	0
Oriental Bank & Trust	3	\$305,000	0	0
R&G Premier Bank of PR	0	0	2	\$250,000
Scotiabank Puerto Rico	1	\$85,000	6	\$650,000
Virgin Islands Community Bank	1	\$100,000	0	0
Westernbank	0	0	0	0
COFECC*	7	\$2,342,000	10	\$5,489,000
Marketing Development Corp. *	31	\$11,401,000	18	\$6,871,000
North PR Local Development *	5	\$1,837,000	4	\$2,221,000
PR Business Development Corp.*	12	\$5,006,000	1	\$675,000
TOTALS	944	\$114,400,916	657	\$81,854,760

♦Includes Loans in VI

*CDC